

TERMINAL AUDIT OF MORALE, WELFARE AND RECREATION ACTIVITIES AUDIT PROGRAM

PART I - INTRODUCTION

PURPOSE

To provide an audit program for the terminal audit of Morale, Welfare and Recreation (MWR) activities.

SOURCES

1. Government Auditing Standards, 1994 Revision (GAO Yellow Book), Chapter 4, Field Work Standards for Financial Audits
2. AR 11-7, Paragraph 4-1, Performing Internal Audits.
3. AR 215-1, Chapter 4, Funding.
4. AR 215-1, Paragraph 5-2, Consolidation
5. AR 215-1, Paragraph 5-4, Disestablishment
6. DOD 7000.14-R, Volume 13, Financial Management, Nonappropriated Fund Policy and Procedures, August 1994.

OBJECTIVES

The overall objective of the terminal audit is to verify the closeout entries of asset and liability accounts, of the MWR activities, to be transferred over to the designated gaining funds.

SCOPE

The audit should cover the period from the prior audit cutoff date through the deactivation date of funds. If there are no verified balances available as a starting point, the audit should use the balances reported for assets and liabilities on the financial statements, dating back at least six-months from the deactivation date of funds. Using these balances, the audit should trace the General Ledger Account (GLAC) entries to substantiating vouchers for the six-month period to verify the GLAC's closing entries.

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GUIDANCE

Based on AR 215-1, Chapter 4, MWR activities are classified into three functional categories. These are:

- Mission Sustaining Activities,
- Community Support Activities,
- Revenue Generating Activities.

BACKGROUND

1. Category A - Mission Sustaining Activities.

These activities are considered essential to sustaining readiness, and generally enhance and promote the physical and emotional well-being of soldiers. Activities in this category have little or no capacity for generating NAF income and are supported by APFs, with use of NAFs limited to: (1) Specific expenses for which use of APFs are not authorized, or (2) When such use is not otherwise prohibited and it has been certified in writing that APF support is not available. These are:

- MACOM functions.
- Armed Forces Professional Entertainment Program Overseas.
- Gymnasium, fieldhouses, aquatic training, and other physical fitness facilities/training programs.
- Libraries.
- Movies (free admission: overseas and isolated/remote locations).
- Outdoor Recreation
 - * Natural areas, undeveloped
 - * Nature centers and trails
 - * Parks and picnic areas.
- Recreation centers.

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- Sports (individual, intramural, unit).
- Unit level programs and activities.
- Consolidated support services (e.g., accounting, logistics, procurement)

2. Category B - Community Support Activities.

They satisfy the basic needs of soldiers and their families providing the community support systems that make military bases temporary home towns for a mobile military population. These activities receive a substantial amount of APF support, but differ from those Category A, above, in part, because of their ability to generate NAF revenues is limited, however, and in no case may they be sustained without substantial APF support . These are:

- Arts and crafts skill development.
- Automotive crafts skill development.
- Bowling centers (12 lanes or less).
- Child development centers.
- Entertainment (music and theater).
- Information, ticketing and registration services.
- Outdoor recreation programs.
 - * Archery ranges.
 - * Beach facilities, including bathhouses and lifeguard stations.
 - * Campgrounds, small (small vehicles, trailers, tents).
 - * Garden plots.
 - * High adventure activity areas (adventure training, hang gliding, rappelling facilities).
 - * Hunting/fishing areas and control stations.
 - * Marinas without retail sales or private boat berthing.
 - * Off-road vehicle areas and trails.
 - * Outdoor recreation checkout centers. (Incidental items such as lantern fuel; fishing hooks and bait; nonprogram-related equipment such as

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chain saws, lawn mowers, boats and trailers designed for overnight use; and resale activities are considered category C activities and must be funded with NAFs.)

- Stables (leases animals and equipment).
- Sports above intramural level (including athletic courts, fields, courses).
- Stars and Stripes.
- Swimming pools and aquatic areas used for recreation, not training.
- Youth services.

3. Revenue Generating Activities.

Activities in this group are considered less essential from the perspective of the military mission, but still highly desirable as a means of providing recreational activities, with the attendant morale benefit. These activities have the business capability of generating enough income to cover the operating expenses and to support other MWR activities. These activities receive very limited direct APF support, but do receive indirect support such as fire and police protection, pest control and medical/veterinary services. Among those business activities listed in AR 215-1, Chapter 4, the following activities are the most common for internal review audits. These are:

- Amusement machines.
- Armed Forces Recreation Centers.
- Army and Air Force Exchange Service (see AR 60-20 for policy).
- Army Recreation Machine Program.
- Audio/photo retail sales (overseas only).
- Bingo.
- Bowling centers (over 12 lanes).
- Commercial travel.

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- Food, beverage, and entertainment operations (including catering).
- Golf courses and companion operations.
- Military clubs (including catering).
- Outdoor recreation
 - * Cabin, cottage, cabana, and fixed mobile home/trailer operations.
 - * Campground and large travel camps.
 - * Flying activities.
 - * Marinas/boathouses (resale, private boat berthing, chartered boats.)
 - * Motorcycle and other motor sport activities.
 - * Rod and gun activities (skeet and trap)
 - * Ski slope operations.
 - * Sport parachute activities.
 - * Stables (boarding for privately owned mounts).
- Skating rinks (regardless of type).
- Snack bars and soda fountains not operated by AAFES.
- Temporary housing facilities (cabins, cottages, guest houses, hotels)

4. Supplemental Mission NAFs (SMFs).

These are funds or accounts, not MWR activities. These funds are an adjunct to the official non-MWR APF mission. They predominately exist as part of the Installation MWR Fund unless excluded by USACFSC and established as separate NAFs. The only APF reportable is that which is based on support of the NAF adjunct, not the official mission. The following SMFs are the most common for internal review audits:

- Army Community Services. Includes voluntary gifts and donations from private sources (AR 608-1).

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- **Veterinary Services.** Includes treatment of NAFI owned animals and fees paid by owners of privately owned animals to cover costs of supplies, drugs, or biologicals used in the treatment. Per Congressional direction, an additional \$2.00 “user fee” is added to each cash register transaction that is returned to the U.S. Treasury. (AR 40-905).

- **Supplemental Field Ration Dining Facility Funds.** Service charges used to purchase equipment and supplies or services not available through APFs. (AR 30-1).

- **Army Historical Museum Funds.** Voluntary contributions or donations, service charges, dues, gift shop revenue, and other income. (AR 870-20).

- **Billeting Services.** Includes fees generated from occupants of temporary lodging facilities and in-room maid service for permanent party personnel (AR 210-50).

- **Fisher House Funds.** Fees, gifts, contributions, and other revenue in support of Fisher Houses, an extension of medical treatment facilities.

- **Vehicle Registration Fund.** Includes fees collected and expended for Army and civilian privately owned vehicle registration overseas. (SoFA).

- **USMA Funds.** Fees charged for and associated with USMA extracurricular activities. (AR 210-3).

- **Ft Leavenworth U.S. Disciplinary Barracks Fund.** Income from the sales of goods and services resulting from inmate vocational training programs. (AR 215-1).

- **Special Publications Funds.** Includes subscription fees to supplement APFs for publication of periodicals and publications. (AR 25-30).

- **School Lunch Funds.** Includes fees charged and expended for dependent school lunches. (AR 215-1).

5. Accounting Policy.

Accounting policy and reporting procedures for NAF MWR activities are prescribed in DoD 7000.14-R, Volume 13.

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PART II - AUDIT STEPS

AUDIT SURVEY

Obtain the following documentation for the audit:

- The chart of management structure. W/P _____

- Who requested the audit W/P _____
- Location of servicing NAF F&AO W/P _____
- Audit assignment number W/P _____
- Last audit and Annual General Inspection reports W/P _____
- Certificate of investments W/P _____
- Amount of cash authorized in petty cash and change funds W/P _____
- Inventories of merchandise, fixed assets, prepaid expenses W/P _____
- Location of inventories W/P _____
- Schedule of contracts W/P _____
- Financial statements for the audit period W/P _____
- A written certification to the effect that all known liabilities, as of the date of the financial statement, have been recorded by the servicing NAF F&AO. Determine who pays the cost of any remaining liabilities W/P _____

ENTRANCE CONFERENCE

Arrange, through the internal review, an entrance conference.

1. The purpose of the entrance conference is to:

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- Introduce auditors to audited personnel.
- Explain the objective(s) and scope of the audit.
- Request office space and a POC who has knowledge of the accounting records being audited.
- Describe the reporting procedures to be used during the audit.
- Discuss any areas which should receive audit attention.

W/P _____

2. Document:

- Names, official titles, and telephone numbers of personnel attending the entrance conference.

W/P _____

- Topics discussed at the meeting

W/P _____

DISESTABLISHMENT PROCEDURES

Refer to AR 215-1, Paragraph 5-4, Disestablishment for proscribed procedures.

1. Determine whether management:

- Limited the expenditures to only the most essential.

W/P _____

- Notified vendors to assure liquidation of all obligations in appropriate time.

W/P _____

- Made any effort to collect outstanding accounts receivable and to pay or make final settlement on accounts payable.

W/P _____

- Executed an employee separation/transfer plan in coordination with the servicing NAFI CPO.

W/P _____

- Disposed of the NAFI property IAW AR 215-1, and turned in APF property for which the Fund Manager was responsible.

W/P _____

- Renegotiated or canceled future contract commitments.

W/P _____

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- Notified USACFSC of disestablishment. W/P _____

2. Determine whether procedures were followed:

- Obtain a list of expenditures made 90 days prior to date of disestablishment or transfer. W/P _____

- Select some expenditures and review supporting documents. W/P _____

- Determine reasons for expenditures and ask why the expenditure was necessary. What would happen if expenditure had not been made? W/P _____

3. Determine with management actions taken to liquidate accounts payable.

- Obtain a list of all vendors. W/P _____

- A request for confirmation letter should be sent to a few vendors. Was there any response from the vendors? W/P _____

Were there any differences? If so, how was it resolved? W/P _____

4. Determine with management collection actions on accounts receivable.

- Obtain sample letters sent to customers. W/P _____

- Were vendors notified of installation closure. W/P _____

- What type of action was taken to make final payment to vendors. W/P _____

5. Confirm the GLAC balances directly with the bank, and with selected members and vendors, for:

- Cash in bank W/P _____

- Accounts Receivable W/P _____

- Accounts Payable W/P _____

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6. Coordinate with the CAO to produce, for the audit period, hard copy:

- registers, journals and ledgers W/P _____
- listing of vendors W/P _____

7. Contact IG, CID, Provost Marshal, Director of Contracting, and DEH to:

- review any reports or open issues that impact on the IMWRF W/P _____
- discuss hazardous waste or environmental issues with DEH W/P _____
- determine if there are open recommendations in any outside inspections made by State or Federal agencies W/P _____

8. Review any audit reports to determine the status of corrective actions W/P _____

9. Determine if any real property improvements were transferred to DEH after notification of closure W/P _____

EXIT CONFERENCE

- Discuss results with the audit manager and the Chief, Internal Review W/P _____
- Prepare a draft report on the results of audit W/P _____
- Discuss the audit results with fund officials W/P _____
- If requested by the audited activity, conduct a formal exit conference W/P _____

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Record each conference in the working papers. The record should indicate all pertinent facts, including the date, participants, subjects discussed, and conclusions.

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PART III - RECONCILIATION OF GENERAL LEDGER ACCOUNTS

CASH ON HAND

- Determine whether the authorized funds for change and petty cash agree with related general ledger control accounts:

-- GLAC #105 W/P _____

-- GLAC #107 W/P _____

- Review selected petty cash expense vouchers for propriety and approval. W/P _____

- Determine whether the authorized funds were properly reconciled and that cash on hand was deposited intact, to close:

-- GLAC #105 W/P _____

-- GLAC #107 W/P _____

CASH IN BANK/INVESTMENTS

- From the CAO, obtain the bank statements and canceled checks for at least a three month period.

- Trace selected deposits and canceled checks to the cash receipt and cash disbursement journals and determine whether the entries were correctly recorded in:

-- GLAC #101 W/P _____

-- GLAC #102 W/P _____

- Determine whether all outstanding checks from the previous months were paid or properly canceled. W/P _____

- Verify that deposit(s) in transit from the previous month were deposited properly. W/P _____

- Ensure that voided checks are retained on file for accountability of checks. W/P _____

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- Investigate double endorsements on checks where second endorsement is that of a person connected with the fund. W/P _____
- Take an inventory of unused bank checks. W/P _____
- Request CAO void the checks to prevent their use. W/P _____
- Reconcile the last active bank statement. W/P _____
- Compare the balances to GLAC #101 and GLAC #102 W/P _____
- Request the fund manager close the bank accounts. W/P _____
- Confirm the closure of the bank accounts. W/P _____
- Require the fund manager to request that the local servicing bank furnish directly to IRAC a bank certified bank statement. W/P _____
- Verify that investments, including earned interest, were properly recorded IAW available documentation. W/P _____
- Confirm investments and interest by depositories. W/P _____

ACCOUNTS RECEIVABLE

- Obtain a listing of accounts receivable. W/P _____
- Determine whether the total is in agreement with applicable control accounts. W/P _____
- Review the aging of accounts receivable. W/P _____
- Determine reasons for delinquent accounts. W/P _____
- If accounts are in dispute or balances are unusually large, confirm the receivable by corresponding directly with debtor. W/P _____
- Verify validity of receivables by documentation on file, or direct confirmation with selected debtors. W/P _____
- Confirm the interest receivable with the bank. W/P _____

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- Determine whether interest earned was received prior to closeout of GLAC #130, Accrued Interest Receivable W/P _____
- Determine whether dividends receivable are being collected prior to closure of GLAC #132, Dividends Receivable W/P _____
- Determine whether proper approval was obtained for written-off accounts. W/P _____
- Scrutinize miscellaneous other receivables (GLAC #140) for validity, as recorded. W/P _____
- Determine age of balances; if doubtful and small, request cancellation. W/P _____
- Select some accounts receivable balances, examine payments and trace postings to deposits made to bank. W/P _____
- Trace any other credits, e.g., returned merchandise, etc., to supporting documents. W/P _____
- Select a few debits made to individual accounts receivable and trace to supporting sales records. W/P _____
- Did amounts agree, quantity and price, to supporting records. W/P _____

INVENTORIES

- Determine if inventories were taken IAW directives, and review written instructions for adequacy. W/P _____
- Test check prices on inventory sheets with recent invoices and stock records. W/P _____
- Ensure that no fixed assets or supplies are included in the merchandise inventory. W/P _____
- Examine inventory write-offs and adjustments for proper approval. W/P _____

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- Determine whether inventories turned over to the gaining funds were properly documented for closure of applicable general ledger accounts. W/P _____

PREPAID EXPENSES

- Obtain a list of all prepaid accounts. W/P _____
- Ascertain that proper records are maintained for prepaid expenses. W/P _____
- Test check extensions and footings of inventory sheets covering prepaid supplies. W/P _____
- Compare the total with applicable accounts. W/P _____
- Examine documentary evidence, e.g., invoices, contracts, taxes, insurance policies, etc., in support of prepaid expenses. W/P _____
- Verify that all prepayments made for periods beyond closure have been recouped, unless existing contractual provisions preclude recoupment. W/P _____
- Verify that all contracts related to prepayments have been canceled. W/P _____
- Verify that recorded prepayments represent payments made for period(s) that are still needed before closure. W/P _____

FIXED ASSETS

- Obtain copy of most current fixed asset inventory. W/P _____
- Test-check extensions and footings of inventory sheets and compare to GLAC #163 and #164. W/P _____
- Ascertain that all changes, within last 6 months, both increases and decreases, were properly authorized and approved. W/P _____

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- Ascertain that depreciation and amortization are calculated and recorded in GLAC #164.

W/P _____

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- Ensure that both NAF and APF property are being properly disposed of or turned in. W/P _____

- Determine whether transfers of fixed assets to other NAFIs were properly documented and a receipt certification of the gaining activity is on file. W/P _____

- If not, contact the gaining activity to verify receipt of the fixed asset. W/P _____

- For items turned in to DMRO, was a statement furnished that 80% of the sales income be paid to the successor-in-interest. W/P _____

OTHER ASSETS

- Prepare a schedule of each type of Other Assets. W/P _____

- Compare totals with general ledger balances. W/P _____

- Determine whether management made any effort to collect loan receivables and payroll advances. W/P _____

- Trace GLACs' closing entries to applicable bank account. W/P _____

- Determine whether terminated employees received any separation allowances from the sinking fund. W/P _____

- Trace the GLAC #188 closing entry to the cash account, GLAC #101. W/P _____

ACCOUNTS PAYABLE

- Obtain listing of accounts payable as of the closing date of the fund. W/P _____

- Compare the total with general ledger controlling account. W/P _____

- Verify payables with monthly statements and invoices from creditors. W/P _____

- Investigate the differences. W/P _____

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- Determine reasons for long outstanding items. Correspond with creditors, if deemed necessary. W/P _____
- Determine whether appropriate credits were received from vendors and were taken for returned items, shortages, etc. W/P _____
- Determine whether management made any effort to pay or make final settlement on all accounts payable. W/P _____
- Obtain from the fund manager a written certification that all known liabilities, as of the date of the last financial statement, have been recorded by the CAO. W/P _____
- Determine who pays the cost of any remaining liabilities. W/P _____
- Request written confirmation of account balances from all major creditors. W/P _____
- Include vendors with "0" balance and records that show business transactions within 120 days of disestablishment or transfer. W/P _____
- Review employee earning records for a three month period. W/P _____
- Determine whether taxes and insurance premiums were correctly recorded and fully paid to IRS and NAF Insurance to zero out the GLACs. W/P _____
- Determine whether an employee separation/transfer plan was executed by management in coordination with the servicing NAFI CPO. W/P _____
- Mail confirmation requests to vendors from whom substantial purchases have been made during the year, regardless of the size of the accounts at the balance sheet date (the balance may be zero). W/P _____

ACCRUALS (GLACs 241 - 260)

- Verify accuracy of accrued liabilities, accrued to dissolution date, but not paid. W/P _____

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- Verify action to pay accrued liabilities and bring balances to zero.

W/P _____

UNEARNED INCOME (GLACs 261 - 267)

- Verify that all unearned income accounts were brought to zero (either by debit with amount earned; or refunded due to cancellation of the scheduled event).

W/P _____

- Clarify and request settlement of unresolved balances.

W/P _____

FUND EQUITY

- Determine that adjustments were authorized, supported and proper, and do not represent items that should have been recorded directly to income or expense during the audit period.

W/P _____

- Determine the residual assets of the dissolved IMWRF for transfer to the successor-in-interest.

W/P _____

- Request the fund manager transfer the verified residual assets, liabilities and equity to the designated successor-in-interest fund.

W/P _____

- Request the applicable journal vouchers from the CAO.

W/P _____

- Obtain and document any direct adjustments to GLACs 291 and 292.

W/P _____

- Explain these adjustments in a note to the financial statement of the terminal audit report.

W/P _____

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PART IV - TRENDS/ANALYSIS

INCOME STATEMENT/GLAC ANALYSIS

- Obtain YTD Income Statement. W/P_____
- Review YTD Income Statement for excessive:
 - Write off/Spoilage (GLACs 416, 654, 655) W/P_____
 - Manager Expenses (GLAC 651) W/P_____
 - Promotion Expenses (GLAC 652) W/P_____
 - Inventory Shortage (GLAC 656) W/P_____
 - Bad Debt Expenses (GLAC 661) W/P_____
 - Door Prize/Promotion Expenses (GLAC 669) W/P_____
 - Supplies Expense (GLAC 726) W/P_____
 - Cash Shortage Expense (GLAC 739) W/P_____
 - Entertainment Expense (GLACs 744, 745) W/P_____
 - Bingo Prize Expense (GLAC 750) W/P_____
 - Loss/Gain on Disposal of Fixed Assets (FF&E)
(GLAC 827) W/P_____
 - Loss/Gain on Foreign Currency Transactions
(GLAC 828) W/P_____
 - Loss on Close of Business Locations (GLAC 832) W/P_____
 - Miscellaneous Other Expenses (GLAC 850) W/P_____
 - Extraordinary Expense (GLAC 891) W/P_____
 - Direct adjustment to fund equity (GLAC 292) W/P_____

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- Review cause for any excessive losses reported in above accounts. W/P_____
- Obtain and review purchase register. W/P_____
- Determine whether any outstanding purchase orders, contracts, etc., exist. W/P_____
- Determine action taken, if any, to cancel outstanding purchases. W/P_____
- Discuss with management causes for open purchases. W/P_____
- If no valid reason, review contracts to determine actions to be taken and request in writing actions needed. W/P_____
- Obtain files for service, loan, insurance contacts or agreements. W/P_____
- Determine whether appropriate cancellations were made in writing when contracts do not terminate by closure date. W/P_____
- Verify that rental contracts for commercial telephones, fax, and similar equipment were canceled. W/P_____
- Obtain copies of notice of cancellation. W/P_____
- Verify that for all FF&E written off, signed documents are on file from the recipient, including gaining NAFI or DRMO. W/P_____

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PART V - ACTIONS TO TAKE UPON DISSOLUTION OF IMWRF

- Contact the CPO and CAO for severance pay liabilities for employees Ritled in connection with the dissolved IMWRF. W/P_____
- Contact the CAO for accrued leave balances payable to the employee or transferred to the successor-in-interest. W/P_____
- Verify that inventory balances on the balance sheet support all property and resale items on hand. W/P_____
- Verify reported assets and liabilities on the balance sheet including zero balances not verified prior. W/P_____
- Verify significant aged accounts receivable directly with the debtor. W/P_____

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365 DAYS PRIOR TO DISSOLUTION

- 1. Get on the Base Realignment and Closure Office (BRACO) distribution list.**
- 2. Determine from BRACO which installations will close and when.**
- 3. Identify the successor-in-interest for the IMWRF.**
- 4. Schedule an interim Balance Sheet Audit as of 30 September of the year preceding the proposed dissolution date of the IMWRF. (Complete the audit as scheduled, if possible, and write lessons learned during the audit.)**
- 5. Determine whether the DPCA has provided other Army installations and DOD components a catalog (descriptive list) of NAF property that will be available for disposition upon dissolution. Obtain the dates property will be available for transfer.**
- 6. Determine whether the installation librarian has obtained disposition instructions from the Department of the Army Librarian and has started implementing those instructions.**

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270 DAYS PRIOR TO DISPOSITION

- 1. Meet with the successor-in-interest, installation commander, DPCA and IMWRF manager to discuss the purpose and scope of the terminal audit.**
- 2. Determine whether the DPCA has established a dissolution plan for the IMWRF, and that it was approved by the MACOM.**
- 3. Inform the successor-in-interest, installation commander, DPCA and IMWRF manager that dispositions of property must be accounted for precisely. Records must show in detail: a. the items disposed of; b. their monetary value; c. date of disposition; and d. who received the property. Full accountability of all property dispositions is required for disclosure on terminal audit reports.**
- 4. Request from the DPCA: a. the dates of all sales of NAF assets; b. copies of all fliers announcing each sale; and c. written procedures governing each sale.**
- 5. Obtain a copy of the order directing the permanent closure of the installation.**
- 6. Develop an audit guide for auditing General Ledger Accounts for the terminal audit.**

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210 DAYS PRIOR TO DISSOLUTION

- 1. Verify that a 100% physical inventory of all assets and accountable property was accomplished. (This should have been done during the interim balance sheet audit. If not, take immediate action to get this done.)**
- 2. Validate that APF property was included in the physical inventory.**
- 3. Determine whether there is full accountability for all property dispositions made to date.**

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180 DAYS PRIOR TO DISSOLUTION

- 1. Contact the CAO to establish an understanding of what is needed for the terminal audit, e.g., information available from NAFISS, points of contact, general accounting practices, and special accounting procedures pertaining to dissolution.**
- 2. Obtain a listing of all aged receivables and determine if adequate follow-up and collection actions are in progress.**
- 3. Verify that a 100% inventory of all NAF and APF contracts was made and that appropriate actions, such as, cancellations, extensions, renewals, were taken or are in progress.**
- 4. Analyze revenues and expenses, obtained from the financial statements, for the 24 months prior to the scheduled dissolution of the IMWRF. Continue the analysis through the dissolution period. Request operating officials' explanations for unusual or questionable variations or trends.**
- 5. Request the CAO forward copies of the financial statements directly to the audit team each month.**
- 6. Review the status of the CPMC projects for proper cancellation, modification or renegotiation.**

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150 DAYS PRIOR TO DISSOLUTION

- 1. On a selective basis, confirm transfers of property from the dissolving IMWRF to the gaining activities. Monitor the property disposition process from this point forward.**

- 2. Review the monthly income statements for changes in: cost of goods sold, free issues, write-offs, spoilage, and direct adjustments to fund equity. Determine adequacy of supporting documents for any such transactions. Look for possible cover-up of losses and any questionable actions.**

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120 DAYS PRIOR TO DISSOLUTION

- 1. Identify which IMWRF personnel are expected to continue employment until at least 90 days past the dissolution date.**
- 2. Determine whether personnel expected to stay will be capable of responding to audit inquiries.**
- 3. If knowledgeable personnel are not scheduled to remain, send a memorandum to the installation commander requesting that personnel who can answer audit related questions remain until at least 90 days past the dissolution date. If these personnel simply are not available, request that the MACOM assemble a team of subject matter experts to complete the closure actions.**
- 4. Determine if vendors were notified of the dissolution and advised to present invoices NLT 15 days prior to dissolution.**
- 5. Determine if the IMWRF manager obtained instructions for cancellation of risk insurance coverage.**
- 6. Contact the IG, CID, Provost Marshal, Director of Contracting, and DEH to obtain and review any reports that impact on the IMWRF.**
- 7. Determine if the local CID and Provost Marshal have ongoing investigations.**
- 8. Discuss hazardous waste and environmental issues with DEH. Determine if there are any open recommendations from outside inspection agencies (state or federal) related to such IMWRF programs as the Auto Craft Shop or multicraft shops.**
- 9. Review recent audit reports to determine the extent of compliance with audit recommendations.**
- 10. Revise and update the audit program as needed.**

**TERMINAL AUDIT OF
MORALE, WELFARE AND RECREATION ACTIVITIES
AUDIT PROGRAM**

90 DAYS PRIOR TO DISSOLUTION

- 1. Validate amounts of cash authorized in petty cash and change funds and determine who signed for each fund.**
- 2. Coordinate with the DPCA and IMWRF manager to ensure that all records needed for the audit will remain at an accessible location and knowledgeable personnel will be available to answer questions related to the audit.**
- 3. Determine if NAF real property improvements were transferred to DEH after notification of installation closure.**
- 4. From the financial statements, identify the Balance Sheet Accounts that have been reduced to zero. Start the audit verification of these accounts.**
- 5. Coordinate with the successor-in-interest, DPCA, IMWRF manager, and CAO to ensure that financial statements are prepared as of the effective date of the dissolution; that they show the financial position of the fund as of that date; and before journal vouchers are processed to transfer the residual assets to the successor-in-interest. (Don't assume that this will automatically be done.)**

**TERMINAL AUDIT OF
MORALE, WELFARE AND RECREATION ACTIVITIES
AUDIT PROGRAM**

60 DAYS PRIOR TO DISSOLUTION

- 1. Obtain a list of all vendors from the CAO.**
- 2. Request confirmation of payables from all vendors.**
- 3. Review concessionaire and cable TV contracts to determine that they coincide with closure date.**
- 4. Review Daily Activity Reports and other accounting documents for accuracy, note any special sales, reduced prices, and transfers to other NAFIs.**
- 4. Verify transfers of property to other NAFIs on a selective basis.**
- 6. Review requests for purchases of resale items.**
- 7. Review purchases and verify sales income at the established profit markup.**
- 8. Interview contracting officials to determine whether there are any IMWRF contracts that involve disputes. Determine status and monetary impact of disputes.**
- 9. Obtain from the IMWRF manager, CPO and CAO, the list of severance pay liabilities for employees rifted, or to be rifted by dissolving the IMWRF.**
- 10. Obtain a list of NAF employees, by name, showing the last day the employee will be on the payroll, and when severance payment is due each employee.**
- 11. Confirm the total severance pay liability for the IMWRF.**
- 12. Validate that the severance pay liabilities are established in a liability account for the IMWRF.**
- 13. Determine if IMWRF personnel are executing the scheduled actions detailed in the dissolution plan. If not, consider issuing an interim Quick Reaction report to the installation commander and/or DPCA.**

**TERMINAL AUDIT OF
MORALE, WELFARE AND RECREATION ACTIVITIES
AUDIT PROGRAM**

45 DAYS PRIOR TO DISSOLUTION

- 1. Request confirmation of bank balances.**
- 2. Request confirmation of receivables.**

**TERMINAL AUDIT OF
MORALE, WELFARE AND RECREATION ACTIVITIES
AUDIT PROGRAM**

ON DISSOLUTION DATE

- 1. Observe all joint IMWRF and successor-in-interest physical inventories.**
- 2. Contact the CAO to determine accrued leave balances payable to employees, and leave balances to be transferred to the successor-in-interest or gaining activity.**

**TERMINAL AUDIT OF
MORALE, WELFARE AND RECREATION ACTIVITIES
AUDIT PROGRAM**

ACTIONS AFTER DISSOLUTION DATE

- 1. Verify that inventory balances on the Balance Sheet support all property and resale items on hand.**
- 2. Verify reported assets and liabilities on the Balance Sheet.**
- 3. Verify dissolution transactions.**
- 4. Issue terminal audit report.**
- 5. Confirm that notification of the dissolution was sent through the MACOM to USACFSC.**
- 6. Confirm that a cancellation of the Standard Nonappropriated Fund Instrumentality Number was requested.**